

EXHIBIT 1

INTRODUCTION

Respondent Ronald (“Ron”) Arnoldsen is a city councilman for the City of Grover Beach in San Luis Obispo County. Mr. Arnoldsen is a dentist by profession, who owns a parcel of real property in Grover Beach, located at 176 North 9th Street. The real property is the site of Respondent Arnoldsen’s dental practice.

At the September 7, 1999 city council meeting, Respondent Arnoldsen participated in discussions about, and voted on, issues concerning the sale of the city’s old fire station property. The fire station property is located at 867 Ramona Avenue, and is within 300 feet of Respondent Arnoldsen’s property located at 176 North 9th Street.

For the purposes of this stipulation, Respondent’s violation of the Political Reform Act (the “Act”)¹ is stated as follows:

On September 7, 1999, Respondent Ron Arnoldsen made and participated in making a governmental decision in which he knew or had reason to know he had a financial interest, specifically, a decision regarding the sale of the fire station property located at 867 Ramona Avenue, in violation of Section 87100 of the Government Code.

SUMMARY OF THE LAW

Section 81001, subdivision (b) states that public officials should perform their duties in an impartial manner, free from bias caused by their financial interests or the financial interests of persons who have supported them. In order to accomplish this purpose, Section 87100 prohibits a public official from making, participating in making, or attempting to use his official position to influence any governmental decision in which the official knows or has reason to know that he or she has a financial interest.

Under Section 87103, subdivision (b), as it was in effect in 1999, a public official had a financial interest in a decision if it was reasonably foreseeable that the decision would have a material financial effect on any real property in which the public official had a direct or indirect interest worth one thousand dollars (\$1,000) or more.

In 1999, an interest in real property included any leasehold, beneficial or ownership interest or an option to acquire such an interest in real property located in the jurisdiction that was owned directly, indirectly or beneficially by the public official, or his immediate family, if the fair market value was one thousand dollars (\$1,000) or more. (Section 82033.)

¹ The Political Reform Act is contained in Government Code sections 81000 through 91014. All statutory references are to the Government Code, unless otherwise indicated. Commission regulations appear at 2 California Code of Regulations, Section 18109, *et seq.* All regulatory references are to Title 2, Division 6 of the California Code of Regulations, unless otherwise indicated.

In September 1999, any reasonably foreseeable financial effect on real property in which a public official had an economic interest, and which real property was directly involved in a decision before the official's agency, was deemed material. [Regulation 18705.2, subdivision (a).] When the official's real property interest was indirectly involved in the decision, the effect of the governmental decision was "material" as to real property in which the official had a direct, indirect or beneficial ownership interest, if any part of the official's real property was located within a 300 foot radius of the boundaries of the property which was the subject of the decision, unless the decision would have no effect on the official's real property interest. [Regulation 18705.2, subdivision (b).]

SUMMARY OF THE FACTS

Respondent Ron Arnoldsen is a Grover Beach City Councilman who owns a parcel of real property in Grover Beach located at 176 North 9th Street. The property is the site of Respondent Arnoldsen's dental practice. Within 300 feet of Respondent Arnoldsen's property is the site of the City of Grover Beach's old fire station.

Due to seismic design problems with the old fire station, the City of Grover Beach applied for a state grant in January 1997 to either retrofit the old fire station or construct a new one. The city obtained the state grant funds, and decided in April 1988 to use the money to defray the costs of building a new fire station on another parcel of real property. A portion of the costs of the new fire station was to be funded by the sale of the old fire station. By September 1999, the new fire station was completed and occupied, and the old fire station was vacant.

Item #19 on the agenda of the September 7, 1999 Grover Beach City Council meeting concerned the sale of the old fire station property. The staff report, prepared by Administrative Services Director Brian Johnson, stated that the sale of the old fire station property was part of the funding strategy for the land acquisition and construction of the new fire station. The city staff sought direction from the city council concerning the sale of the old fire station property. Issues for the city council to consider at this meeting included: 1) Government Code requirements for the sale of public property (including a 60-day notice to other public agencies who may want to purchase the fire station property); 2) the potential sale of the old fire station for commercial use; 3) the potential sale of the old fire station to other agencies; 4) the potential sale of the property to Clifford and Mary Lee Clark and their non-profit organization for a Children's Center; and 5) property valuation and tax issues concerning the old fire station property.²

Attached to Mr. Johnson's staff report was a letter dated August 27, 1999 from Clifford and Mary Lee Clark offering to purchase the old fire station property for \$180,000. The Clarks' proposal was to create a non-profit organization which would purchase the fire station property, and combine the property with two other parcels owned by the Clarks, to make a block-long Children's Center. The center would include a children's museum, library, learning center, art gallery and performing arts area. The staff report also contained specifics regarding the Clark's proposal, site plans for the Children's Center, individual letters of support for the Children's Center project, and a petition signed by over 120 local residents endorsing the Children's Center project.

² A comparative market evaluation, attached to the staff report and prepared by a local realtor, opined that the old fire station property had a low estimated value of \$286,00 and a high value of \$351,000, for the land and improvements.

At the beginning of the city council discussion on Item #19, Mayor Peter Keith asked whether any council member needed to declare a conflict of interest before proceeding with the staff presentation and public discussion on the item. At Mayor Keith's request, City Attorney James Rupp explained the conflict of interest laws to the city council. Following this explanation, Respondent Arnoldsen stated that he had a perceived conflict of interest, but that he did not believe he was going to gain or lose anything from the sale of the fire station property. Respondent stated that he would therefore not be stepping down from consideration of the issue concerning the old fire station property.

There was a lengthy discussion regarding the sale of the old fire station property, primarily involving the Clarks' proposal to purchase the property as part of their proposed Children's Center. This discussion included funding issues, the need for the Children's Center in the community, and whether the property should be offered to other persons or agencies. Following the staff and Mr. Clark's presentation, 18 individuals addressed the city council on the Clark's proposal, with 15 speaking in favor of it. Respondent Arnoldsen participated in the discussions, and expressed his view that the old fire station property was worth more than the \$180,000 the Clarks were offering. He stated that the property should be placed up for public sale, and that the Clarks could come up with the extra \$100,000 to meet the low estimate value of the property. Respondent Arnoldsen also asked Mr. Clark specific questions about the cost and time frames for the construction phases of the Children's Center project.

At the conclusion of the discussion on Item #19, the city council, including Respondent Arnoldsen, voted 5 to 0 to direct city staff to start the required 60-day notification period for other agencies that might want to purchase the fire station property, and to clarify aspects of the Clarks' proposal that were raised at the meeting including deed restrictions, and funding for construction and operation of the Children's Center project. Staff was to bring the matter back to the city council once the issues regarding the Clarks' proposal were addressed.

At the time Respondent Arnoldsen participated in the city council discussion and voted concerning the old fire station property, it was reasonably foreseeable that the sale of the property would have a material financial effect on Respondent's property. Respondent's property was located within 300 feet of the old fire station property. By participating in the discussion and vote on this issue, Respondent violated Section 87100 of the Government Code.

Following the September 7, 1999 city council meeting, local newspaper articles reported that Respondent Arnoldsen participated in the city council discussion and vote concerning the sale of the old fire station property. The articles discussed Respondent's apparent conflict of interest based on his dental office being located within 300 feet of the old fire station.

On January 18, 2000, the issue of the Clarks' proposal for a Children's Center, and the sale of the old fire station property, came before the city council for the second time. At this meeting, Respondent Arnoldsen disclosed that he had a conflict of interest and stepped down from the dais. He did not return to the dais until after the matter was concluded. The city council voted 3 to 1, with Councilman Arnoldsen abstaining, to sell the old fire station property to the Clarks and their non-profit organization.

CONCLUSION

Respondent was aware of the conflict of interest provisions of the Act. The conflict of interest provisions were reviewed for him and other city council members prior to the discussion of the sale of the city's old fire station property. Despite owning real property near the old fire station, Respondent continued to participate actively in the discussions and decision, which could affect his own real property interest.

The September 7, 1999 decision was approved by a 5-0 vote. Therefore, Mr. Arnoldsen's vote was not pivotal to the outcome. In addition, Mr. Arnoldsen later stated that he continued to participate and vote on the September 7th issue in order to move the discussion forward, knowing that it would be brought back for a final decision at a later date. On January 18, 2000, when the issue of the Clarks' proposal, and the sale of the fire station property, came before the city council for the second time, Respondent Arnoldsen stepped down from the dais, due to the conflict of interest, until after the matter was concluded.

This matter consists of one count which carries a maximum possible administrative penalty of Two Thousand Dollars (\$2,000.00). This case is aggravated by the fact that Mr. Arnoldsen was advised of a potential conflict at the start of the meeting. However, it is mitigated by his subsequent abstention when the matter was brought back before the city council for further discussion and final decision. Accordingly, the facts of the case, including the mitigating and aggravating factors discussed above, justify imposition of the agreed upon penalty of Fifteen Hundred dollars (\$1,500.00).